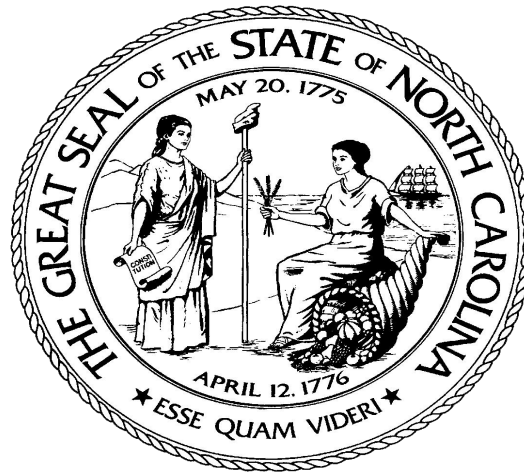


**Uniform System for Beds or Bed Days Purchased: with Local Funds, from Existing State Appropriations, under the Hospital Utilization Pilot, and from Funds Appropriated under Session Law 2011-145, Section 10.8.(b)**



**May 25, 2012**

**North Carolina Department of Health and Human Services,  
Division of Mental Health, Developmental Disabilities and  
Substance Abuse Services**

**Report on the  
Uniform System for Beds or Bed Days Purchased: with Local Funds, from Existing State  
Appropriations, under the Hospital Utilization Pilot, and from Funds Appropriated under  
Session Law 2011-145, Section 10.8.(b)**

**May 25, 2012**

*Session Law 2011-145, Section 10.8.(b) which states, “... Mandates the Department of Health and Human Services to report to the House of Representatives Appropriations Subcommittee on Health and Human Services, the Senate Appropriations Committee on Health and Human Services,, the Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services, and the Fiscal Research Division on a uniform system for beds or bed days purchased (i) with local funds, (ii) from existing State appropriations, (iii) under the Hospital Utilization Pilot, and (iv) purchased using funds appropriated under this subsection.”*

The purpose of these funds is for purchase of additional local inpatient psychiatric beds or bed days, local beds to strengthen and expand community capacity to ensure that an individual experiencing a crisis related to their mental illness, substance use disorder or developmental disability receives appropriate crisis services in the community. Individuals in a crisis situation requiring short-term inpatient hospitalization have been served at the state psychiatric hospitals. Serving those individuals in community hospitals provides more appropriate care by keeping the individual connected to family, friends and community service providers and reserves the state hospital resource for those individuals who require longer-term hospitalization or specialty services that only the state hospitals can provide.

The initiative funded initially in 2008, Session Law 2008-107 and expanded in 2009, Session Law 2009-451, has demonstrated significant success. This initiative is commonly referred to as “three-way hospital contracts” because new community psychiatric inpatient beds are created and funded through a contract between the community hospital, the Local Management Entity (LME) responsible for the county in which the hospital is located, and the Division of Mental Health, Developmental Disabilities and Substance Abuse Services (DMH/DD/SAS). The details on the use of those funds and the success of the initiative are outlined in Section IV of this report.

A summary by funding source, of the public, non-federal dollars used to purchase bed days in the community, is discussed on the next several page.

**I. Beds/Bed Days Purchased with Local Funds**

Seven Local Management Entities (LMEs) have been able to utilize the local funding option. These seven LMEs are CenterPoint, Cumberland, Guilford, Mecklenburg, Mental Health Partners, Orange-Person-Chatham, and Wake. While the majority of funds to strengthen these efforts have come from legislative appropriations, these seven have a local total of over \$22 million for SFY 2010-2011. See the table below for specific totals by LMEs.

**Table I. Inpatient Beds and Bed Days Purchased through County Funds**

<b>LME</b>	<b>Amount of County Funds Expended in SFY 2010-11</b>	<b>Number of In-Patient Beds/Bed Days Purchased</b>
CenterPoint	\$750,000	1,096 days
Cumberland	\$74,250	99 days
Guilford	\$1,700,781	3,032 days
Mecklenburg	\$16,712,430	21,714 days
Mental Health Partners	\$1,531,548	44 days
OPC	\$214,200	904 days
Wake	\$1,032,843	1,506 days
<b>Totals</b>	<b>\$22,016,052</b>	

## **II. Beds/Bed Days Purchased from Existing State Appropriations**

In addition to funds specifically allocated for hospital inpatient bed/bed day purchased through three-way contracts, seventy percent (70%) of the LMEs use a portion of their generic allocation of state funding to purchase hospital inpatient services. In SFY 2010-11, sixteen (16) LMEs paid for services for more than 4,500 individuals in community hospitals at a cost of nearly \$18 million, as shown in the table below.

**Table II. Inpatient Bed Days Purchased w/ LME Allocations of State Appropriations SFY11**

<b>LME</b>	<b>State Funds Expended SFY 2010-2011</b>	<b>Number of In-Patient Bed Days Purchased</b>	<b>Persons Served</b>
Alamance-Caswell-Rockingham	\$41,428	146	15
CenterPoint	\$2,527,060	3,952	555
East Carolina Behavioral Health	\$193,792	318	52
Eastpointe	\$155,580	247	39
Five County	\$463,225	843	124
Guilford	\$1,646,806	3,390	723
Johnston	\$663,874	1,751	234
Mecklenburg	\$1,511,355	3,114	281
Onslow-Carteret	\$47,222	86	21
Pathways	\$512,642	1,104	184
PBH	\$2,474,909	4,839	638
Sandhills	\$1,261,727	2,244	388
Smoky Mountain	\$861,279	1,366	233
Southeastern Center	\$12,350	19	4
Southeastern Regional	\$16,496	105	99
Wake	\$5,676,718	8,780	923
<b>Total</b>	<b>\$18,066,465</b>	<b>32,304</b>	<b>4,513</b>

Claims for services reported to-date through the DMH/DD/SAS Integrated Payment and Reporting System (IPRS) for SFY 2012 indicate that these LMEs are on track to expend similar amounts of their allocations for the current year for purchase of inpatient psychiatric bed days.

### **III. Beds/Bed Days Purchased under the Hospital Utilization Pilot**

The purpose of the Hospital Utilization Pilot initiated in SFY 2007-08 was to reduce state psychiatric hospital use by providing additional resources to build community capacity in a few LMEs and then holding those LMEs financially responsible for the cost of care in the state hospital. The pilot was initially envisioned to proceed over an eighteen (18) month period, beginning January 1, 2008.

Through a request for application process, which was judged primarily on the potential of the proposal to reduce the use of state psychiatric hospitals, four (4) LMEs were chosen to participate in the pilot. The funding awarded is outlined below.

**Table III. Allocations from “Hospital Pilot” State Appropriations**

<b>LME</b>	<b>SFY 2009-10 Funding</b>	<b>SFY 2010-11 Funding</b>
CenterPoint	\$ 1,500,000	\$ 1,500,000
Mecklenburg	\$ 405,240	\$ 405,240
Smoky Mountain	\$ 1,268,376	\$ 1,268,376
Western Highlands	\$ 1,436,710	\$ 1,436,710

Each of the four (4) LMEs proposed unique projects designed to reduce utilization of state hospitals. A summary of each of the projects is outlined below:

1. **CenterPoint LME:** a six bed residential substance abuse service for women with children; a hospital step-down unit; an Integrated Dual Disorder Treatment program; a family advocate; peer support staff; and residential respite.
2. **Mecklenburg LME:** additional capacity for transitional housing for patients discharged from hospitals; crisis respite for children and adolescents; and individuals with developmental disorders presenting to the emergency rooms. Funded one position to engage consumers on an inpatient unit to help with transition and funded an additional liaison position to help with placements from Broughton Hospital.
3. **Smoky Mountain Center LME:** adult inpatient capacity at Haywood and Cannon Hospitals; a child crisis bed/wrap around program; a geriatric crisis residential program; enhanced coordination of care among outpatient providers; and a High Support Specialty Team.
4. **Western Highlands Network LME:** added two adult care coordinators to be available for four county hospital emergency rooms and Broughton Hospital to facilitate diversions and crisis stabilization; 24/7/365 Dual Diagnosis Community Support Team; stipends for providers to actively participate in hospital discharge planning; strengthen first responder system; funding for expedited labs and medication upon hospital discharge; additional staff for the 16 bed Crisis Stabilization Unit; accessing crisis care continuum to divert consumers

from state facilities to alternative community resources; supportive housing (90 day transitional housing) to help patients with a place to live while helping them secure disability income; and a half way house to transition patients out of Alcohol and Drug Abuse Treatment Centers (ADATCs).

**IV. Beds/Bed Days Purchased Using Funds Appropriated under S.L. 2011-145, Section 10.8.(b)(under Session Law 2011-145, Section 10.12.(b) “Three Way Hospital Contracts”)**

In 2008, the Department of Health and Human Services convened a task force comprised of hospital administrators, psychiatrists, other clinicians and providers, LME leaders, and advocates to develop a comprehensive plan for community crisis services for individuals with mental health, developmental disabilities and substance abuse service needs. The task force focused on the problem of the decreasing availability of community psychiatric inpatient beds. Between 2001 and 2006, 200 community psychiatric inpatient beds had been closed. During that same period, admissions to state psychiatric hospitals for inpatient care resulting in a length of stay of seven (7) days or less had steadily risen, representing more than fifty percent (50%) of all admissions in SFY 2006-2007. In catchment areas where LMEs used county funds and/or state appropriations to purchase indigent care in the community, those trends were not as severe. The task force identified the lack of funding for community psychiatric inpatient care for indigent consumers as one of the main obstacles to building a full crisis service continuum in the community and developed a plan to request funding for the purchase of this care. In 2008, the General Assembly appropriated \$8,121,644 for community psychiatric inpatient care. Though the task force had recommended some funding to stabilize the existing beds in community hospitals, the General Assembly limited the funding to new beds only.

All beds created through this initiative must be available for involuntarily committed consumers who would otherwise qualify for admission to a state psychiatric hospital. Community hospitals may create new beds in several ways: 1) by increasing the number of beds actually in operation if their current license for psychiatric beds is greater than the number being operated; 2) by designating inpatient units for involuntarily committed consumers if they had not previously held that designation; or 3) by increasing the number of licensed psychiatric inpatient beds in the hospital, either through a transfer of beds from a state hospital or a transfer of acute beds within the hospitals.

Participating hospitals are paid a standard rate of \$750 per occupied bed day. This rate is inclusive of all professional and ancillary charges (laboratory tests, medications, physician’s fees, etc.) and a week of medication upon the consumer’s discharge. The current rate at state psychiatric hospitals ranges from \$866 to \$1,147 per day.

The beds contracted through the three-way contracts serve as a regional resource. Although the LME in whose catchment area the beds are located serves as the manager of the contract, the beds are available for any consumer requiring inpatient hospitalization. For this reason, DMH/DD/SAS has worked to locate the beds strategically throughout the state and to target areas where there have historically been a high number of admissions for short-term lengths of stay in state hospitals. The LMEs managing the contracts are responsible for participating in discharge planning designed to connect the consumers to community-based services upon discharge from the hospital. The 122 beds are located in fifteen (15) LMEs in the following regions of the state:

<b><u>Region</u></b>	<b><u>Beds</u></b>
Central	46 beds
Eastern	35 beds
Western	41 beds

The Community Inpatient Initiative has positively impacted behavioral health needs across the state over the past three years. The Initiative has:

- Served the clients with a lower degree of acuity,
- Served the clients locally,
- Reduced the impact on the State facilities,
- Reduced Emergency Room wait times, and
- Reduced readmissions to a hospital.

The three-way hospital contract has strengthened the very valuable partnerships between community hospitals and LME, and DHHS and the North Carolina Hospital Association. Consumers receive needed services in their home communities. Demand for state hospital admission has been reduced, resulting in better outcomes for consumers in terms of readmission to a hospital. Consumers are spending time in hospital Emergency Departments (EDs) waiting for a bed to become available in a state psychiatric hospital, thereby, reduces the time that sheriff's deputies must remain with the consumer in the ED. By every measure, the Community Inpatient Initiative has achieved its goals. DHHS strongly recommends that the General Assembly continue its support for this program.

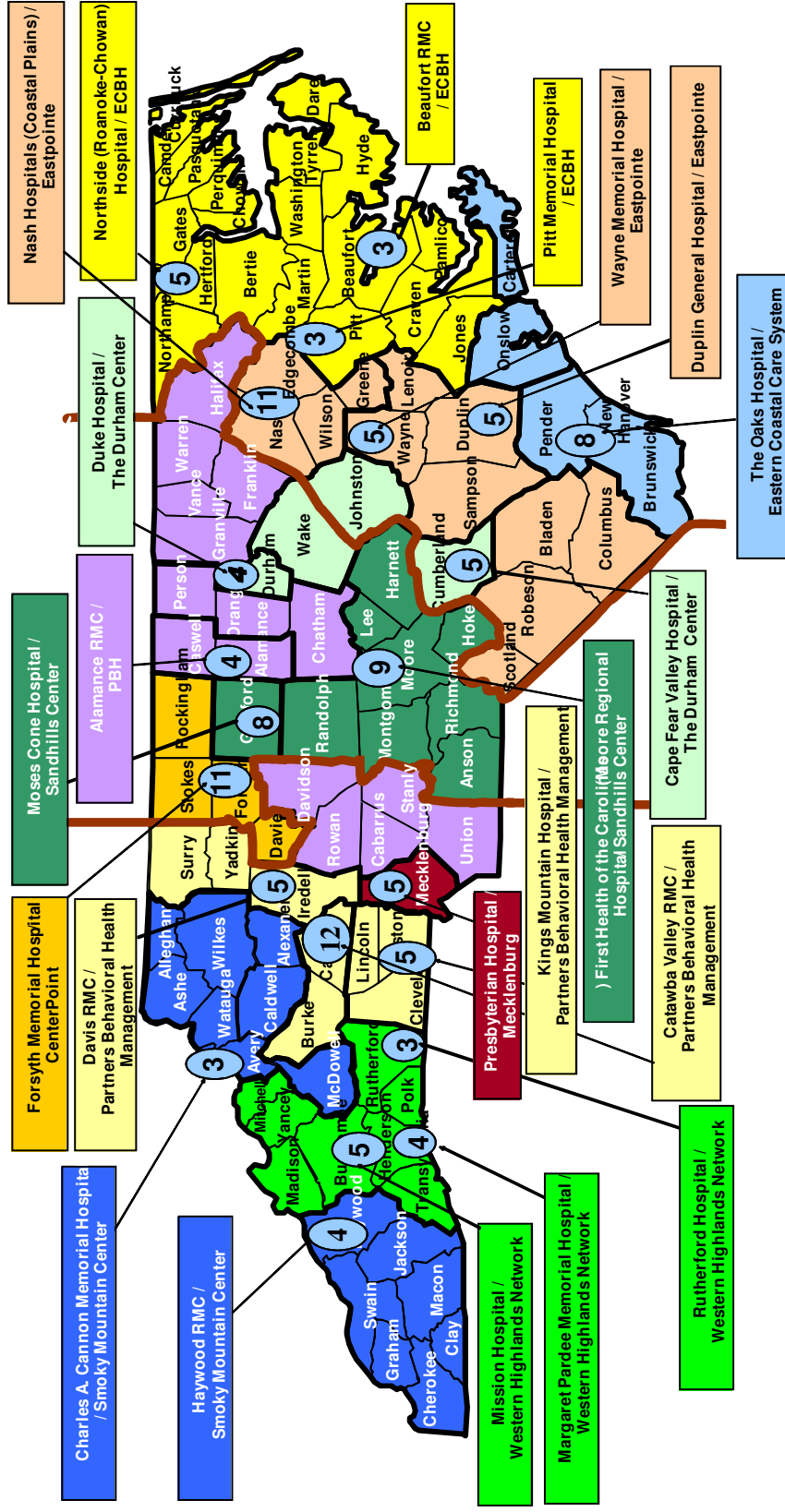
Note: The chart and map below reflect the February 1, 2012 three-way contracts for inpatient beds by LME, as adjusted for one-time increases based on higher utilization.

**Table IV. New Beds Created and Bed Days Purchased Through 3-Way Contract Appropriations SFY 2010-2011**

<b>LME</b>	<b>Hospital</b>	<b>Number of Beds Under Contract SFY 2012</b>	<b>Current Contract Funding Amount</b>	<b>2011 Bed Days Purchased (Based on Date of Service)</b>
Alamance-Caswell	Alamance Regional	4	\$1,095,000	1,811
Beacon Center	Nash General	11	\$2,658,438	2,211
CenterPoint	Forsyth Memorial	11	\$2,558,438	2,608
Crossroads	Davis Regional	5	\$1,026,562	518
Cumberland	Cape Fear Valley	5	\$1,368,750	1,141
Durham	Duke	4	\$1,048,500	850
East Carolina	Beaufort Memorial	3	\$821,250	973
	Northside Behavioral	5	\$1,368,750	1,837
	Pitt County Memorial	3	\$615,938	642
Eastpointe	Duplin General	5	\$1,368,750	1,665
Guilford	Moses Cone	8	\$1,274,250	2,036
Mental Health Partners	Catawba Valley	12	\$3,285,000	783
Pathways	King's Mountain	5	\$1,368,750	1,416
Sandhills	First Health	9	\$2,394,000	2,351
Smoky Mountain	Charles Cannon	3	\$1,095,000	708
	Haywood Regional	4	\$821,250	1,030
Southeastern	The Oaks Hospital	8	\$2,190,000	2,300
Western Highlands	Mission Hospitals	5	\$1,026,563	960
	Margaret R. Pardee	4	\$821,250	889
	Rutherford	3	\$615,938	463
Mecklenburg Co	Presbyterian Hospital	5	\$287,830	0
<b>Grand Total</b>		<b>122*</b>	<b>\$29,121,644 **</b>	<b>30,244</b>



# 3-Way Contract Community Hospital Beds as of 3/9/12 and Proposed Local Management Entity - Managed Care Organizations (LME-MCOs) on 1/1/13



Currently 21 Three Way Contracts with 122 designated beds

LME-MCO configurations reflect plans as of March 9, 2012.